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**FISCAL IMPACT STATEMENT**

**LS 6955**

**BILL NUMBER:** HB 1455

**NOTE PREPARED:** Jan 6, 2007

**BILL AMENDED:**

**SUBJECT:** College Savings Plans.

**FIRST AUTHOR:** Rep. Klinker

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** The bill provides an Adjusted Gross Income Tax credit for a contribution to a 529 Education Savings Plan established in any state. (Current law provides a credit only for contributions to Indiana's 529 Education Savings Plan.)

**Effective Date:** January 1, 2007 (retroactive).

**Explanation of State Expenditures:** The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate the changes to the current tax credit for contributions to the Indiana College Choice 529 Investment Plan. The DOR's current level of resources should be sufficient to implement these changes.

**Explanation of State Revenues:** *Summary:* The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities for individual taxpayers who make contributions to 529 colleges savings or prepaid tuition plan accounts of plans established in states other than Indiana. The revenue loss due to the bill is indeterminable as data regarding Indiana resident contributions to non-Indiana plans is unavailable. However, the revenue loss could potentially be significant given the number of college savings plans and prepaid tuition plans sponsored by other states, and prepaid tuition plans sponsored by private colleges and universities nationwide.

*Background:* The bill extends the nonrefundable AGI Tax credit under current statute applicable only to a taxpayer's contributions to Indiana College Choice 529 Investment Plan accounts to contributions under 529 savings and prepaid tuition plans established in other states. The credit is equal to 20% of the amount of each contribution made during the taxable year, with a maximum credit of \$1,000. The tax credit is non-

refundable, and taxpayers are not entitled to carry back or carry forward unused credits. The bill extends the credit to non-Indiana plan contributions effective beginning in tax year 2007. As a result, the fiscal impact would begin in FY 2008. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of this revenue is deposited in the Property Tax Replacement Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** The Independent 529 Plan, <http://www.independent529plan.org/>. The College Savings Plans Network, <http://www.collegesavings.org/>.

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